



## **Financial Statements**

For the Quarter ended March 31, 2012

## REPORT OF THE DIRECTORS FOR THE QUARTER ENDED MARCH 31, 2012

The Directors would like to present their Report with the un-audited accounts for the three months ended March 31, 2012

### BUSINESS OVERVIEW

Traditional painting season starts in March, however, the market remains sluggish due to prolonged winters, energy crisis and poor law & order situation. Besides these, discontinuation of tokens also affected sales of non premium tier paints in Decorative segment, however sales of premium tier volumes were satisfactory. Industrial and Refinish segment also remained under pressure due to lower demand from Tractor and Motorcycle industries. The Tractor industry was impacted due to imposition of sales tax. In the Decorative and Refinish segments a fall in volumes resulted from the FBR's requirement for adding CNIC/ NTN data on invoices to identify buyers; this prompted dealers to refrain from accepting invoices in their names in order to keep out of the tax net.

Revenues for the quarter showed a growth as a result of selective and sustainable price increases. The business also managed to achieve a higher gross profit on the back of effective margin management. Increase in gross profit was offset by an increase in higher advertisement and sales promotion expenditure and increase in administration & general expenses.

Performance of the business going forward would be highly dependent on the external factors such as the economic conditions, new industrial projects and law & order situation in the country. In the short to medium term, the business volumes will remain affected due to revival of CNIC / NTN requirement on invoices April 2012 onwards.

### FINANCIAL PERFORMANCE

Despite the above challenges, the Company generated revenue of Rs 1,475m and made a profit before tax of Rs 53m.

	Rs. m
Turnover	1,475
Net Sales Income	1,105
Gross Profit	336
Profit Before Tax	53
Profit After Tax	35

### FUTURE OUTLOOK

Performance of the Company going forward would be highly dependent on the external factors such as the economic conditions, new industrial projects and law & order situation in the country. In the short to medium term, the business volumes will remain affected due to revival of CNIC / NTN requirement on invoices April 2012 onwards.

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Balance Sheet (Unaudited)**  
**As at March 31, 2012**

*(Financial statements incorporating the effects of demerger)*

	Note	Amounts in Rs '000	
		March 31 2012	December 31 2011
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1,367,632	1,351,504
Intangible assets	3	64,289	71,933
		<u>1,431,921</u>	<u>1,423,437</u>
Deferred tax asset - net		165,458	183,658
Long-term loans	4	46,176	38,630
Long-term deposits and prepayments		6,102	1,894
		<u>217,736</u>	<u>224,182</u>
		<u>1,649,657</u>	<u>1,647,619</u>
<b>Current Assets</b>			
Stores and spares		19,625	36,310
Stock-in-trade	5	719,683	757,165
Trade debts		391,134	267,083
Loans and advances		24,783	36,584
Trade deposits and short-term prepayments		2,408	13,651
Other receivables	6	3,699,436	3,638,457
Cash and bank balances		173,986	223,175
		<u>5,031,055</u>	<u>4,972,425</u>
<b>Total Assets</b>		<u><b>6,680,712</b></u>	<u><b>6,620,044</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised capital 100,000,000 (December 31, 2011: 100,000,000) ordinary shares of Rs 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital 70 ordinary shares of Rs 10 each		1	1
Allocated share capital pursuant to the Scheme 46,443,250 (December 31, 2011: 46,443,250) ordinary shares of Rs 10 each		464,432	464,432
Allocated capital reserves pursuant to the Scheme		156,202	156,202
Unappropriated profit		4,241,919	4,206,787
<b>Total Equity</b>		<u>4,862,554</u>	<u>4,827,422</u>
<b>Surplus on Revaluation of Property, Plant and Equipment</b>		889,034	889,088
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme		28,907	25,061
<b>Current Liabilities</b>			
Taxation payable		76,572	76,572
Trade and other payables	7	823,645	801,901
<b>Contingencies and Commitments</b>	8		
<b>Total Equity and Liabilities</b>		<u><b>6,680,712</b></u>	<u><b>6,620,044</b></u>

The annexed notes from 1 to 20 form an integral part of the condensed interim financial information.

Mueen Afzal  
Chairman / Director

Jehanzeb Khan  
Chief Executive

Zia U Syed  
Chief Financial Officer

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Profit and Loss Account (Unaudited)**  
**For the Quarter Ended March 31, 2012**  
*(Financial statements incorporating the effects of demerger)*

Amounts in Rs '000

	Note	For the 3 months ended March 31 2012
<b>Turnover</b>	9	1,474,601
Sales tax and excise duty		201,464
Commission and discounts to distributors and customers		167,875
		369,339
Net sales		1,105,262
Cost of sales	10	769,434
<b>Gross profit</b>		335,828
Selling and distribution expenses		206,681
Administration and general expenses	11	141,831
<b>Operating loss</b>		(12,684)
Financial charges		3,888
Workers' profit participation fund		2,804
Workers' welfare fund		1,087
Other operating charges		2,253
		10,032
Other operating income	12	75,994
<b>Profit before taxation</b>		53,278
Taxation	13	(18,200)
<b>Profit after taxation</b>		35,078
		<b>(Rupees)</b>
<b>Earnings per share - Basic and diluted</b>		<b>0.76</b>

The annexed notes from 1 to 20 form an integral part of the condensed interim financial information.

\_\_\_\_\_  
Mueen Afzal  
Chairman / Director

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Jehanzeb Khan  
Chief Executive

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Zia U Syed  
Chief Financial Officer

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Statement of Comprehensive Income (Unaudited)**  
**For the Quarter Ended March 31, 2012**  
*(Financial statements incorporating the effects of demerger)*

Amounts in Rs '000

	For the 3 months ended March 31 2012
Profit for the period	35,078
Other comprehensive income	-
<b>Total comprehensive income for the period</b>	<b><u>35,078</u></b>

The annexed notes from 1 to 20 form an integral part of the condensed interim financial information.

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*Chairman / Director*

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Jehanzeb Khan  
*Chief Executive*

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Zia U Syed  
*Chief Financial Officer*

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
**For the Quarter Ended March 31, 2012**

*(Financial statements incorporating the effects of demerger)*

Amounts in Rs '000

	March 31 2012
<b>Cash Flows from Operating Activities</b>	
Profit before taxation	53,278
Adjustments for:	
Depreciation and amortisation	37,248
Provision for non-management staff gratuity and eligible retired employees' medical scheme	3,846
Mark-up on bank deposits and receivable from ICI Pakistan Limited	(67,222)
Interest / mark-up expense	732
	<u>27,882</u>
Movement in:	
Working capital	(86,285)
Long-term loans	(7,546)
Long-term deposits and prepayments	(4,208)
Cash used in operations	<u>(70,157)</u>
Payments for :	
Non-management staff gratuity and eligible retired employees' medical scheme	-
Taxation	-
Interest / mark-up	(732)
Profit / mark-up received on bank deposits	12,535
Net cash used in operating activities	<u>(58,354)</u>
<b>Cash Flows from Investing Activities</b>	
Payments for capital expenditure	(45,522)
Profit / mark-up received from ICI Pakistan Limited	54,687
Net cash generated from investing activities	9,165
<b>Cash Flows from Financing Activities</b>	
Net cash used in financing activities	-
Net decrease in cash and cash equivalents	(49,189)
Cash and cash equivalents at January 1	223,175
<b>Cash and cash equivalents at March 31</b>	<b><u>173,986</u></b>
<b>Movement in Working Capital</b>	
<b><i>(Increase) / decrease in current assets</i></b>	
Stores and spares	16,685
Stock-in-trade	37,482
Trade debts	(124,051)
Loans and advances	11,801
Trade deposits and short-term prepayments	11,243
Other receivables	(60,979)
	<u>(107,819)</u>
<b><i>Increase in current liability</i></b>	
Trade and other payables	21,534
	<u>(86,285)</u>

The annexed notes from 1 to 20 form an integral part of the condensed interim financial information.

Mueen Afzal  
*Chairman / Director*

Jehanzeb Khan  
*Chief Executive*

Zia U Syed  
*Chief Financial Officer*

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Statement of Changes in Equity (Unaudited)**  
**For the Quarter Ended March 31, 2012**

(Financial statements incorporating the effects of demerger)

Amounts in Rs '000

	Issued, subscribed and paid-up share capital	Allocated share capital	Allocated capital reserves	Unappropriated profit	Total
Transferred from ICI Pakistan Limited pursuant to the Scheme	-	464,432	156,202	4,018,997	4,639,631
70 ordinary shares of Rs 10 each fully paid in cash	1	-	-	-	1
Total comprehensive income for the six months period ended December 31, 2011	-	-	-	187,681	187,681
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred taxation	-	-	-	109	109
<b>Balance as on December 31, 2011</b>	<b>1</b>	<b>464,432</b>	<b>156,202</b>	<b>4,206,787</b>	<b>4,827,422</b>
<b>Changes in equity for 2012</b>					
Total comprehensive income for the quarter ended March 31, 2012	-	-	-	35,078	35,078
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred taxation	-	-	-	54	54
	-	-	-	35,132	35,132
<b>Balance as on March 31, 2012</b>	<b>1</b>	<b>464,432</b>	<b>156,202</b>	<b>4,241,919</b>	<b>4,862,554</b>

The annexed notes from 1 to 20 form an integral part of the condensed interim financial information.

Mueen Afzal  
Chairman / Director

Jehanzeb Khan  
Chief Executive

Zia U Syed  
Chief Financial Officer

**Akzo Nobel Pakistan Limited**  
**Notes to the Condensed Financial Information (Unaudited)**  
**For the Quarter Ended March 31, 2012**

(Financial statements incorporating the effects of demerger)

1. The condensed interim financial information has been presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the represented financial statements as at and for the period ended December 31, 2011.

1.1 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the represented financial statements for the preceding period ended December 31, 2011. These financial statements incorporate the effect of demerger which has been detailed in note 1 to the represented financial statements for the period ended December 31, 2011.

Amounts in Rs '000

**2. PROPERTY, PLANT AND EQUIPMENT**

	March 31 2012	December 31 2011
Operating property, plant and equipment - at net book value	1,341,974	1,309,397
Capital work-in-progress (at cost) - Miscellaneous Equipment	25,658	42,107
<b>Total property, plant and equipment</b>	<b>1,367,632</b>	<b>1,351,504</b>

2.1 The above includes additions in plant and machinery of Rs 62.183 million (March 31, 2011: Nil). There was no disposal during the quarter ended March 31, 2012.

**3. INTANGIBLE ASSETS**

Intangible assets - at net book value - note 3.1	64,289	71,933
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3.1 This includes additions of intangible assets of Rs Nil during the period.

**4. LONG-TERM LOANS - considered good**

Due from Directors, Executives and Employees - note 4.1	65,620	69,362
Less: Current portion shown under current assets		
Due from Directors, Executives and Employees - note 4.1	19,444	30,732
<b>Total Long-term loans</b>	<b>46,176</b>	<b>38,630</b>

4.1 These loans relate to key management personnel for the purchase of motor cars and house building assistance and are repayable between two to ten years. These are interest free loans and granted to the employees in accordance with their terms of employment of the Company.

**5. STOCK-IN-TRADE**

Stock amounting to Rs 4.0 million is measured at net realizable value and has been written down by Rs 1.5 million to arrive at its net realizable value.

**6. OTHER RECEIVABLES**

Other receivables - note 6.1	3,699,436	3,638,457
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6.1 This includes Rs 3.671 billion receivable from ICI Pakistan Limited (December 2011: Rs 3.609 billion).

**7. TRADE AND OTHER PAYABLES**

This includes Rs 8.089 million payable to ICI Pakistan Limited (December 2011: Rs 6.135 million).

**8. CONTINGENCIES AND COMMITMENTS**

8.1 Claims against the Company not acknowledged as debts are as follows:

Local bodies	453	453
Sales Tax authorities	91,087	91,087
Others	25,224	25,224
Total	116,764	116,764

8.2 A notice issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur Road, Lahore. Pursuant to this an order was passed by the EPA for violation of certain provisions of the 'Act'. The Company is of the opinion that the order was not justified and has filed an appeal against the order in the Environmental Tribunal in Lahore, which is pending.

8.3 Commitments in respect of capital expenditure.	113,000	54,000
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8.4 Commitments for rentals under operating lease / Ijarah agreements in respect of vehicles are as follows:

Year		
2012	9,420	13,053
2013	8,603	9,491
2014	7,052	7,751
2015	4,835	4,871
2016	8	-
	<b>29,918</b>	<b>35,166</b>
Payable not later than one year	11,824	13,053
Payable later than one year but not later than five years	18,094	22,113
	<b>29,918</b>	<b>35,166</b>

8.5 Outstanding foreign exchange contracts as at March 31, 2012 entered into by the Company amounted to Rs 1.919 million.

**9. TURNOVER**

9.1 Turnover includes export sales of Rs 11.547 million made to various countries during the period.

For the 3 months ended March 31, 2012
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<b>10. COST OF SALES</b>	
Opening stock of raw and packing materials	438,071
Purchases - note 10.1	618,743
	<b>1,056,814</b>
Closing stock of raw and packing materials	(426,756)
Raw and packing materials consumption	630,058
Manufacturing costs	89,966
	<b>720,024</b>
Opening stock of work-in-process	35,692
	<b>755,716</b>
Closing stock of work-in-process	(34,213)
Cost of goods manufactured	721,503
Opening stock of finished goods	283,402
Finished goods purchased	23,243
	<b>1,028,148</b>
Closing stock of finished goods	(258,714)
Cost of sales	<b>769,434</b>

10.1 Purchases include Rs 135.8 million from ICI Pakistan Limited.

#### 11. ADMINISTRATION AND GENERAL EXPENSES

11.1 The administration and general expenses include allocation of expenses amounting to Rs 37.5 million and one-off demerger expenses of Rs 64.7 million incurred by ICI Pakistan Limited to the extent they relate to operation of the Paints Undertaking during the period.

12. **OTHER OPERATING INCOME** 75,994

This includes Rs 54.7 million return on receivable from ICI Pakistan Limited - Note 6.1

#### 13. TAXATION

Current	-
Deferred	18,200
	<b>18,200</b>

#### 14. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (AkzoNobel N.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial information are as follows:

##### **Associated Companies**

Purchase of goods, materials and services	23,207
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#### 14.1 Transactions with key management personnel

Key management personnel received an amount of Rs 6.64 million on account of remuneration out of which Rs 0.74 million relates to post employment benefits.

#### 15. SHORT-TERM FINANCES

There was no short-term finance facility available to the Company for the quarter ended March 31, 2012.

#### 16. ESTIMATES

Judgments and estimates made by the management in the preparation of the condensed interim financial information were the same as those that were applied to the represented financial statements as at and for the period ended December 31, 2011.

#### 17. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the represented financial statements as at and for the period ended December 31, 2011.

#### 18. DATE OF AUTHORISATION

The condensed interim financial information was authorised for issue in the Board of Directors meeting held on July 3, 2012.

#### 19. GENERAL

Figures have been rounded off to the nearest thousand rupees except as stated otherwise.

#### 20. CORRESPONDING FIGURES

There are no corresponding figures as this is the first year of the Company's incorporation.

\_\_\_\_\_  
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Chairman / Director

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Jehanzeb Khan  
Chief Executive

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